Case Study:

The 4 Key Changes by a Multi-Million Dollar Company on a Quest to Boost Cashflow

Decreasing DSO from *42 days to 48 hours*

Overview

Company Industry: Technology

Services: Payment security and loyalty programs

Goods: Credit card machines

Revenue Growth: $20M in 2016 with rapid growth to $60M in 2018

Transactional Growth: Shipped 3,500 units in 2016 to 98,000 units in 2018

Headcount: 52 in 2016 with growth to 180 in 2018

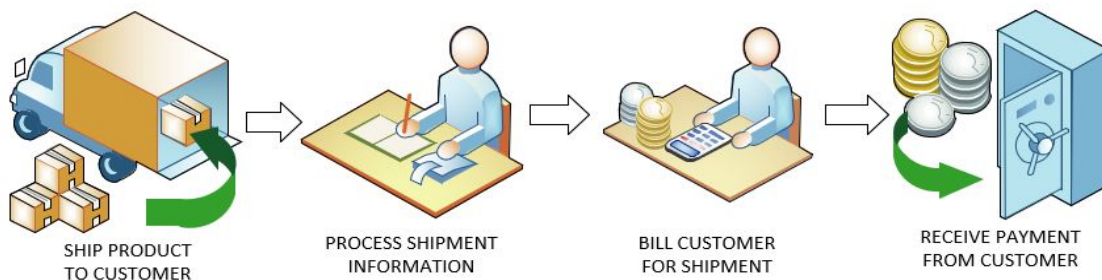# Assessment

Review of order to cash process.

Interviews with CFO, CTO, President, Staff accountant, VP Finance, Purchasing, Director of Client Services, Customer Service Representative, Director of Technical Support

Process Review with Finance, Accounting, Purchasing, Client Services, Technical Support

Conducted mapping of business process and created the desired future business process as well as the path to get there

Problem Statement

The billing department was experiencing accuracy and timing challenges on invoicing. The delay in receiving their funds caused them to hire an employee to focus on collections. Initially they were not aware of their DSO but during the assessment it was found to be 42 days average. Clients were complaining about late and inaccurate invoices. Lowering the DSO would decrease collections efforts and write-offs, allow for easier cash flow forecasting and ideally better client relationships.

SHIP PRODUCT TO CUSTOMER → PROCESS SHIPMENT INFORMATION → BILL CUSTOMER FOR SHIPMENT → RECEIVE PAYMENT FROM CUSTOMER

The Solutions

During the assessment it was discovered that the 42 day DSO was not largely in part due to late payments from customers, but more so due to the amount of days that were tied up in the regular business process of gathering the information to generate the invoices. **We implemented 4 major changes to allow the business process to happen faster.**

Solution 1: Moving from Paper to Electronic Invoicing Process

Even if Vendor bills were received electronically, the Company processed the orders and created invoices for their customers via a paper process.

- The shipment **paperwork was printed** and placed into the Purchaser's physical inbox to be entered into the computer system. This resulted in a system shipment record, which was also printed. The purchaser also **located and printed the original Customer order and emails**. These collective papers were paperclipped and **placed into the physical inbox** of the billing employee and referred to as "the Order folder".
- The Vendor bills were **received via email and were then printed and entered into the Invoicing System**. This was matched with "the Order folder" and alerted the billing employee that they could then create the invoice to the customer. **The invoice was created in the computer system, printed, and mailed.**

We fixed this by creating an electronic folder system to replace the physical manila folders. When each order was received, the electronic folder for the order was created. Then, instead of printing the papers, each employee was assigned the responsibility to drag the documents into the electronic order folder. As each department completed their tasks, they would advance the folder and drag it to the next step of the process. In addition to eliminating paper and saving time, **this system essentially created an electronic queue** for each team so that they could complete their work whether they were at their desk or working remotely.

The folders were broken up into 5 stages:

- a) Orders to be processed;
- b) Orders on hold;
- c) Orders to be shipped;
- d) Orders to be invoices;
- e) Completed orders

We implemented this by starting with 5 orders as electronic test cases over the course of two weeks. After those orders were successful, we started fresh the next day with every order as electronic.

The cost was $0. Besides the time spent of the employees to test the process, there was no additional investment needed for this step.

The DSO decreased from 42 days to 35 days. An impact of 7 days was substantial and helped to show the team the measurable results they were contributing to.

We went into this knowing that the IT team did regular back-ups on the server each night and that the team could access the folders remotely via VPN. However, there are always **possibilities for server outages** which could delay the team and process. We also knew that some of the employees would be set in their ways and possibly resistant to change. **This process change requires commitment, communication, and teamwork to execute correctly** and ensure that everyone is on board. We had one team member who was resistant, which is why we took two weeks to walk through the 5 electronic test orders. This time allowed her to buy in on the process and she soon became the biggest advocate.

We learned some lessons. The orders in paper folders were supposed to be worked through as they shipped. However the new electronic process was so much easier for the team that those paper files quickly got forgotten. A better approach would have been to spend the upfront time to transition those paper files into electronic ones to avoid forgetting about the folder prior to the electronic transition.

Solution 2: Timing the Work and Positioning the Team to Avoid Bottlenecks

Moving from paper to an electronic process is a great first step. The next bottleneck became the sheer quantity of electronic files in each folder that needed to be processed.

- Although the files are no longer printed, they had to be **manually dragged into each electronic folder**. This means that before anything could be processed, someone still had to spend time to pull each file into the folder. Because they were batching their activities, this would happen in bulk.
- Until the initial shipment files were dragged into the files, **no subsequent invoicing steps could happen**. Once the shipment files were in the folder though, there became **enough invoicing to take up the entire day**.

We fixed this by tweaking the workflow and the proximity of the teams. Prior to the change, each morning the tracking details of the previous day's shipments were received via email, reviewed and dragged into the corresponding order folders by the Orders Team. Then each Order Folder was dragged to the next step of the process ("Orders to be shipped"). Because the shipment information was sent via batch email overnight, the Orders team would drag all of the shipment details into the folders before they began to enter any of the data into the computer system. Now, the Orders Team would pull the shipment tracking details and then ship each order to completion before moving to the next shipment. This allowed the folders to be moved and **populate one by one into the Invoicing Team's queue rather than appear as one giant batch** in the middle of the day. We also situated the Order and Invoicing Teams to sit next to each other. The proximity allowed for **relationships to develop** and they kept each other apprised of their workload or any issues during their process.

We implemented this by picking one day to start the new process of shipping each order to completion. There was some planning required to get the teams seated next to each other, but it only took one afternoon for the people to relocate into their new seats.

The cost was $0. This was another step that was practically free to implement. There was a little but of lost time associated with moving desks, but the benefit far outweighed the non-productive afternoon of moving.

The DSO decreased from 35 days to 29 days. The decrease in DSO proved that the Invoicing team was getting backlogged by receiving too many files at one time and it was overwhelming them.

We went into this knowing that completing the files for each order was going to be an easy change, but it may mean that **problem files get skipped** in order for the team to get through all of the electronic files for the day.

We learned some lessons. Once the Orders and Invoicing Teams were seated next to each other, the Invoicing team **started shortcutting some credit limit approvals** for the Orders Team. This happened because the teams got to know each other and thought it would help them out. We had to implement a different credit limit approval process for large orders.

Solution 3: Creating a Reconciliation Process

A loose month end process existed, but there was no formal checklist or responsibilities to ensure all orders that were shipped were being invoiced.

- ○ The shipment paperwork was manually dragged into the Orders Folder. If the shipment paperwork was not emailed or the emails were not reviewed, then **the Order Folder would appear as if it were not shipped** and it would sit as an open order.
- ○ The folders were manually dragged to each next step of the process. Therefore, it was possible that someone could get distracted and **forget to drag the folder**.

We fixed this by creating a Month End Checklist that included verifying the Open Orders with the Vendor.

We implemented this by reconciling the orders that were open with the vendor over the course of a week. We then **began sending a week-ending reconciliation spreadsheet** to the vendor every Friday. We created a recurring Month End Meeting with the Orders lead and Invoicing lead so they would have **dedicated time on the calendar** to reconcile any issues each month.

The cost was $0. The team was excited to feel like the loose ends were being wrapped up and even though there was no associated cost, **all parties involved (including the vendor) were becoming happier** about having a solid process to close out open orders.

The DSO decreased from 29 days to 7 days. The biggest impact to the DSO happened during this step. However, **it would have been tough to implement if the prior steps had not been taken** because there would have been a lot of paperwork to try to gather order information from.

We went into this knowing that the Orders team lead was already keeping a spreadsheet of the orders. This spreadsheet was a little cumbersome and **involved manual intervention at the end of every day to update.** Unfortunately, once the weekly orders reconciliation was implemented, the spreadsheet became **necessary to continue.**

We learned some lessons. Open orders in the company's system were often caused because **the vendor had no record of receiving them**. We had to implement a process where the vendor would confirm after each order was sent to avoid that happening.

Solution 4: Increase the Speed and Transparency of Receiving Information

Now we had an electronic and even flowing process so the next step was to focus on the speed of each team receiving the information they needed.

- The shipment paperwork was received the morning after shipment, so **each shipment already had 12+ hours** before any action could happen.
- The shipment details had to be manually entered into the company's system. This **relies on the employee's accuracy** and speed of the transaction.
- There was **no financial visibility** as to how much each shipment was worth in each Order Folder which impacted the ability to see the Orders pipeline.
- The Open Orders spreadsheet was becoming **increasingly more time consuming to keep updated** as the company's order volume continued to increase.

We fixed this by purchasing and implementing an ERP system that supported document workflows. This created the visibility of the **financial impact for each order** so that the shipments and invoicing could be prioritized to do the highest costs first. In addition, investing in an ERP system allowed an integration between the vendor and the company so that the **shipment information could be received in real time without any manual intervention**. This decreased human errors and increased the speed to invoice.

We implemented this by hiring a small team of ERP implementation consultants to assist. It took approximately 2 months to pick the ERP system we wanted to purchase and **about 4 months of heads down preparation**. We first drew out a map of each business process and the consultants helped us map that process to the ERP system with some customization. We spent two full weeks insulated with the consulting team to go live with the new system. **The integration with the vendors**

took an additional 9 months after the system was live, but it eliminated the need for manual shipment detail entry.

The cost was approx $200k. This cost was a huge decision for the company, and the benefits far outweighed the DSO impact. Using an ERP system allowed for **many manual entries and spreadsheets to be avoided and gave us integration abilities** between teams inside the company and at vendor and customer locations.

The DSO decreased from 7 days to 48 hours. **The power of instant and automatic updating is evident in this step**. The system also allowed the customers to submit payment online and store their credit card information to allow **future shipments to bill automatically**. There is no manual process that could produce these kind of bottom line results.

We went into this knowing that this would require a lot of **extra dedication and overtime** from the team members. We knew that this was a huge cost that would help **grow the company to the next level of business**. We also knew that we had management that technical enough, truly invested in the change, and **willing to put in the work needed to make this project succeed.**

We learned some lessons. People often forget how many manual spreadsheets they keep until you try to automate their work. Even though we did a lot of preparation and due diligence, there were **several times we needed to re-work the process** to fit the types of documents we needed to produce to other departments so that we could eliminate the manual aspect.

Summary

	Solution		Time to Implement	Cost	Important Points	DSO Impact
1	Moving from Paper to Electronic Invoicing Process	Created electronic folder files which created a queue system.	Approx 2 weeks	$0	-Ensure the IT team has a process for server back-ups in place. -Get buy in from the team and ease into the transition to help with concerns. -Create a cut over point and move any paper orders over to electronic files to prevent orders from being forgotten.	7 days
2	Timing the Work and Positioning the Teams to Avoid Bottlenecks	Moved team members so they were closer and stopped batching activities that were causing a bottleneck on each other.	1 day	$0	-Proximity allows teams to know when they need help from each other, but it can also cause shortcuts to happen. -Moving away from batching work meant that problems started to get skipped because it would take much longer to work through them.	6 days
3	Creating a Reconciliation Process	Created a Month End checklist to ensure all orders are invoiced. Also created a weekly process with the vendor to ensure all open orders were shipped.	5 days	$0	-Prior steps were necessary in order to achieve this level of reconciliation -A daily spreadsheet of all orders had to be kept in order to have a master document to reconcile against with the vendor.	22 days
4	Increase the Speed and Transparency of Receiving Information	Implemented an ERP system and integrated to the vendor.	Approx 14 months	$200k	-Need management that is truly invested in creating a better business process and creating that within an ERP system -There needs to be sufficient funds -Overtime is necessary to meet the same type of aggressive timeline that was accomplished in this case.	5 days

The Best Part?

While sales and development drive the growth in this case study, the **operational scale can absolutely be reproduced** and the DSO is only one small effect. Whether it is a $2M company or a $100M company, the ability to scale starts with breaking the process into smaller steps and constantly pursuing improvement.

CLICK HERE to schedule a 15 minute consultation with Quigley Management Consulting on creating operational efficiencies in your organization.

POWERTRAK

SCALING YOUR BUSINESS & YOUR CULTURE

eCommerce Marketing Case Study:
Creating Efficiency, Automation Improvements & People Upgrades to Increase Profit Margin & Empower Employees

Overview

Company Industry

Advertising & Marketing

Services

Place targeted sample products into retailer B2C shipments

Growth

Revenue: $22M in 2015 to $38M in 2018

2017 INC5000 fastest growing companies

Private equity investment in 2015

Headcount

48 in 2018

Challenges

The company was experiencing climbing revenue trajectory

Loss of key account projected to lose $4.8M revenue in 2019

After account loss, the board appointed a new President to lead the team through the loss

The company wants to do more with less, work smarter, increase morale

General feeling of unhappiness among employees

Process

Evaluate existing Organizational Structure (i.e. who's in what seat and is it the right seat)?

What's working and what's not from employee perspective?

Interviews with key internal stakeholders and employees identified as high performers.

Requested feedback on process, team and culture.

State of the Business & People

Cultural
    Family-run
    "Not my job" internal perception
    Lack of career path
    Old guard v. new guard in employee base
    Multiple office locations don't get along
    Lack of effective management and employee skill
    Identified toxic employees

Process
    No central approval points
    Unclear responsibilities
    Lack of understanding key products that are integral to growth
    No formal training or documentation location

Importance of Process Planning

Every minute in planning saves 10 in execution

    Every sub-process doesn't have to exist, but planning the overall will avoid missteps and rework

Thinking about the process shows the employees you value their work and understand their viewpoints

Process mapping allows the restructure to be completed in a way that makes sense and create efficiency
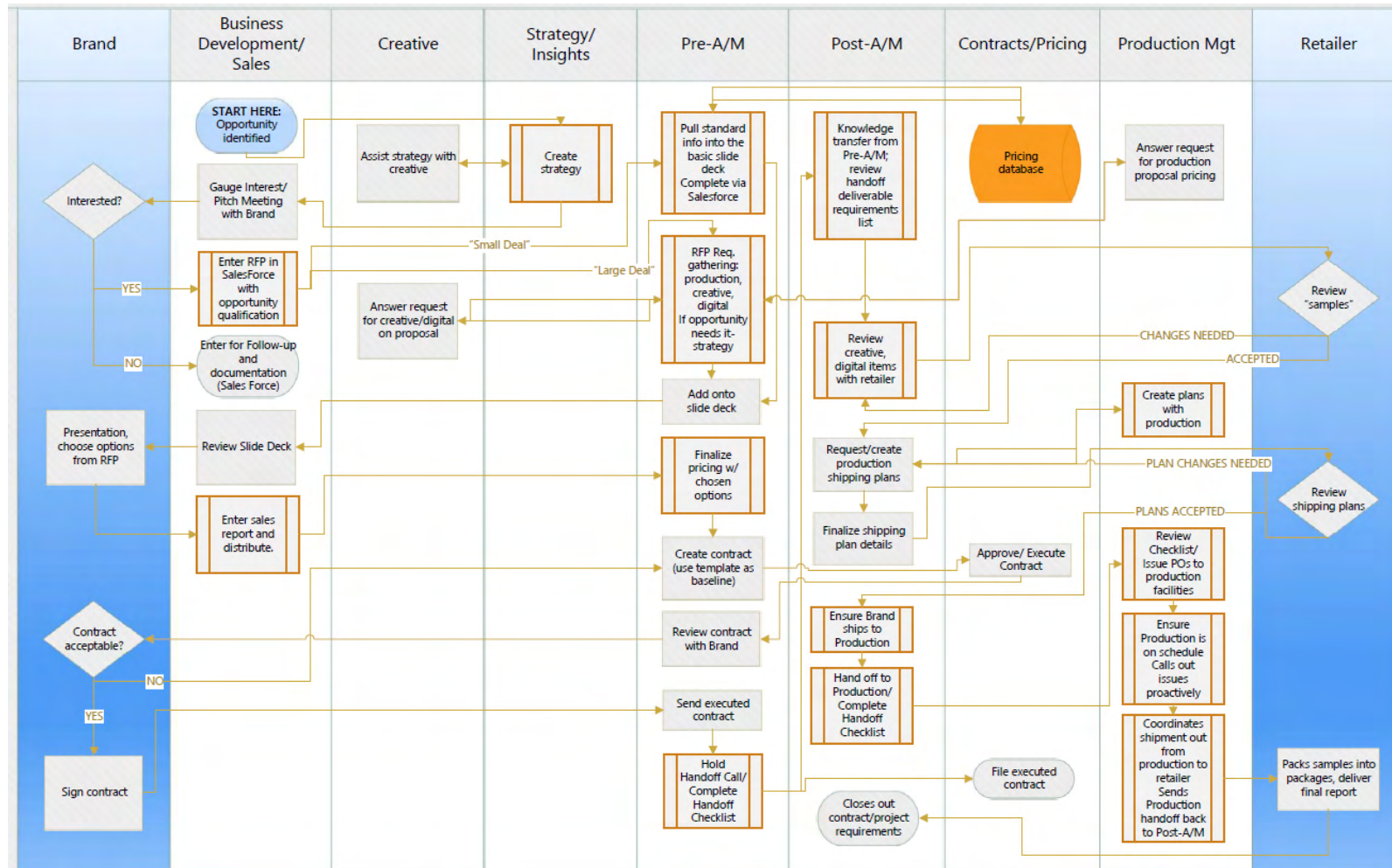
Process Map: Desired State
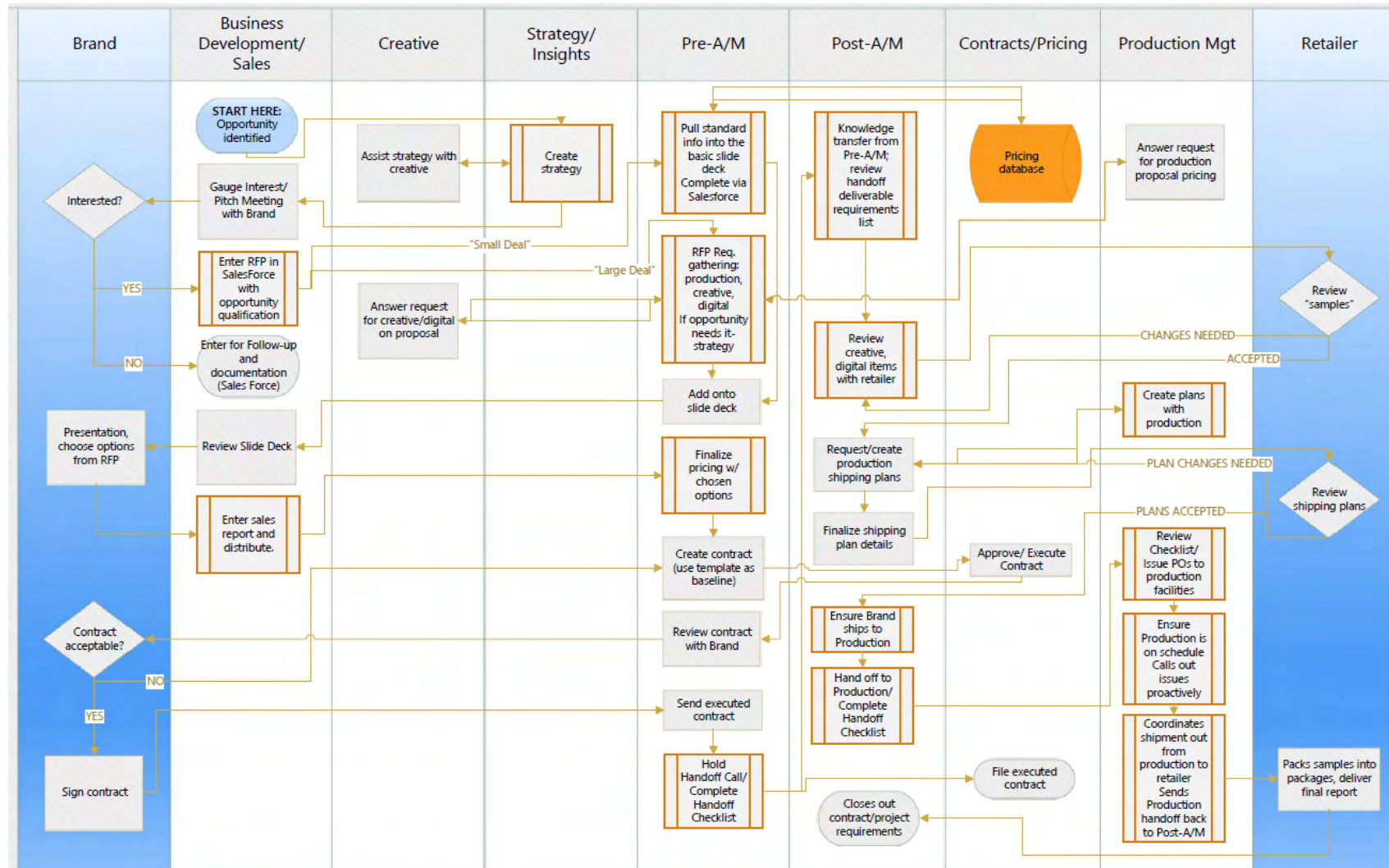
Naturally shows how **business process sections into department responsibilities.** Easier to understand **workload balance.**

Provides increased visibility for each department to understand the value of the others

Forces **each input to have an output**, so process is clear and not misunderstood

Process Mapping: Why it Works

Validates the responsibilities per position

Indicates where sub-process and approval points would be needed – **Creates clear next steps** that need to be accomplished

Illustrates the interactions between teams

Supports reasoning for re-org and makes it easier for employees to understand and get on board

Outcomes

Leveraged use of internal CRM to automate former manual processes
Released under-performing employees
Streamlined process of Account Management
Clearly defined job descriptions for increased responsibility in every role
Introduced new processes to improve communication and collaboration

Headcount Savings $803,000
Time Savings 9,100 hours

Where are they now?

Processes are in place and followed to this day

Company has sold biggest contract in company history

Forecast revenues in 2021 – double revenue in 2020

Employees are highly engaged, have created culture team

High level of collaboration and communication internally

Old guard employees have embraced change and see value in automation

Williams & Quigley

Poka-Yoke Solutions, founded in 2018 by Erica Quigley, helps companies manage and implement change by way of process creation and documentation. Our focuses include process design for implementing systems and technology, project planning, and creating standard operating procedures.
Workplace Harmony, founded in 2019 by Lauren Williams, brings harmony into workplaces to enhance the experience for owners and employees. Their focus is on helping companies thrive and for owners to reach their goals and dreams personally and professionally. After being brought into several clients together, Erica and Lauren decided to partner and create the Power-Tr▲k Program.

Erica Quigley has over a decade of experience in scaling companies between $1M and $80M annually. She identifies gaps in processes and project plans and then designs process for best practices and efficiency. Erica's background includes operations and supply chain build-outs as well as technology implementations. In 2019 her book Business Process Flow Mapping, Succinctly was published by SyncFusion Inc and won the Silver Award. She holds a Master certificate in Lean Six Sigma from Villanova and received her Bachelor's of Science from Virginia Tech.

Lauren Williams, SPHR has over 15 years of progressive Organizational Development &Organizational Change Agent experience working for fast-paced, exponentially growing start-ups. Lauren started her career in Finance for small companies and technology start-ups. She eventually developed a passion for people and culture and transitioned into Human Resources. What started out as a fun part of her job, quickly became a passion to better the workplace and encourage a positive evolution of the employee experience. Lauren holds an undergraduate degree from West Chester University in Finance and Economics and a Master's of Arts from Immaculata University in Organizational Effectiveness.

Case Study: Company Restructuring—
Reorganizing a Company to Create Efficiency & Increase Profit Margin

Overview

- Company Industry
  - Advertising & Marketing
- Services
  - Place targeted sample products into retailer B2C shipments
- Growth
  - Revenue: $22M in 2015 to $38M in 2018
  - 2017 INC5000 fastest growing companies
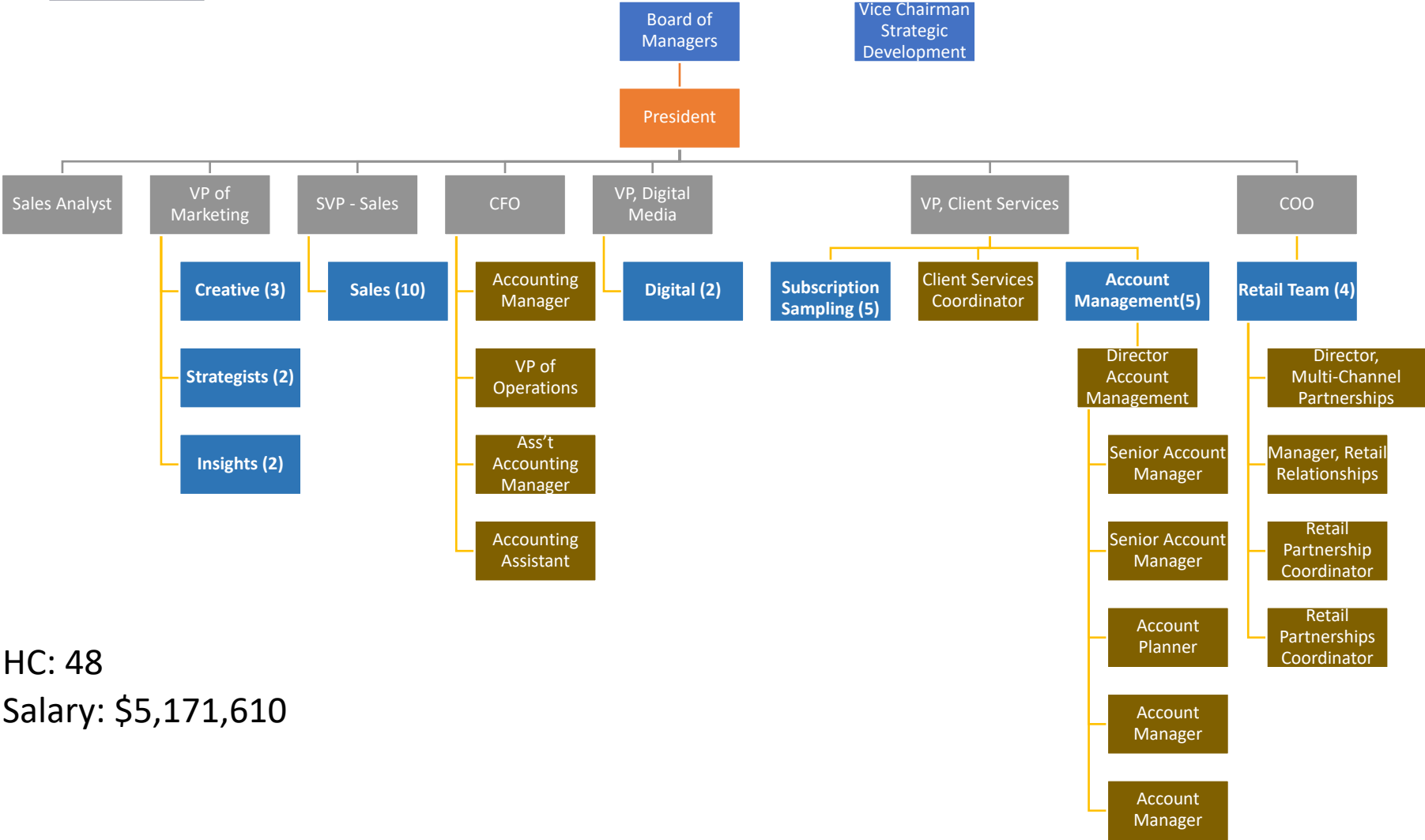 - Private equity investment in 2015
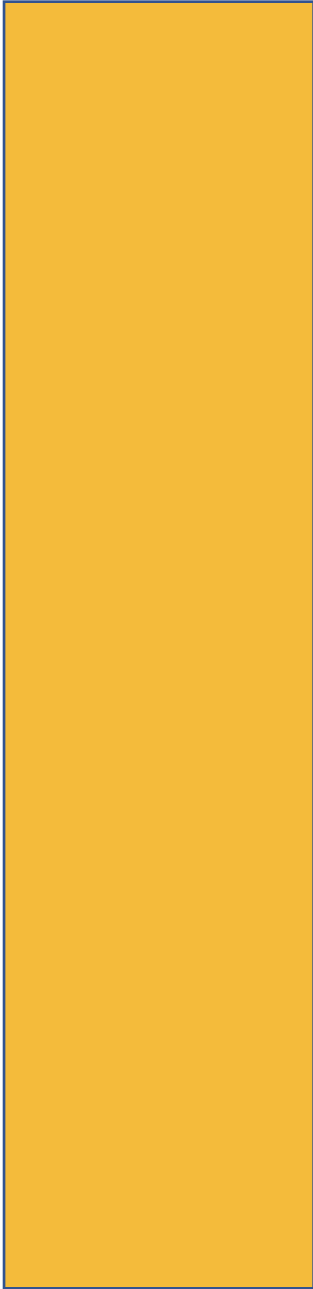- Headcount
  - 48 in 2018

Problem Statement

- The company was experiencing climbing revenue trajectory

- Loss of key account projected to lose $4.8M revenue in 2019

- After account loss, the board appointed a new president to lead the team through the loss

- The company wants to do more with less, work smarter, increase morale

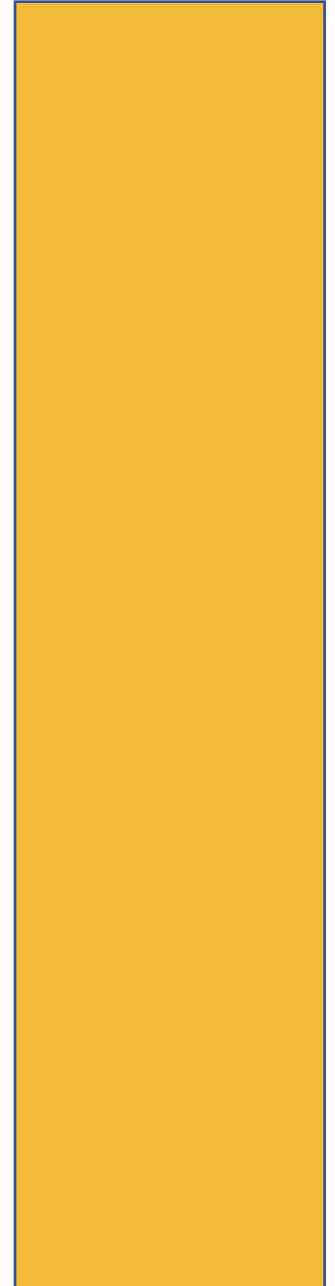- General feeling of unhappiness

Current Org Chart (Redacted)

Board of Managers

Vice Chairman Strategic Development

President

- Sales Analyst
- VP of Marketing
  - Creative (3)
  - Strategists (2)
  - Insights (2)
- SVP - Sales
  - Sales (10)
- CFO
  - Accounting Manager
  - VP of Operations
  - Ass't Accounting Manager
  - Accounting Assistant
- VP, Digital Media
  - Digital (2)
- VP, Client Services
  - Subscription Sampling (5)
  - Client Services Coordinator
  - Account Management(5)
    - Director Account Management
    - Senior Account Manager
    - Senior Account Manager
    - Account Planner
    - Account Manager
    - Account Manager
- COO
  - Retail Team (4)
    - Director, Multi-Channel Partnerships
    - Manager, Retail Relationships
    - Retail Partnership Coordinator
    - Retail Partnerships Coordinator

HC: 48
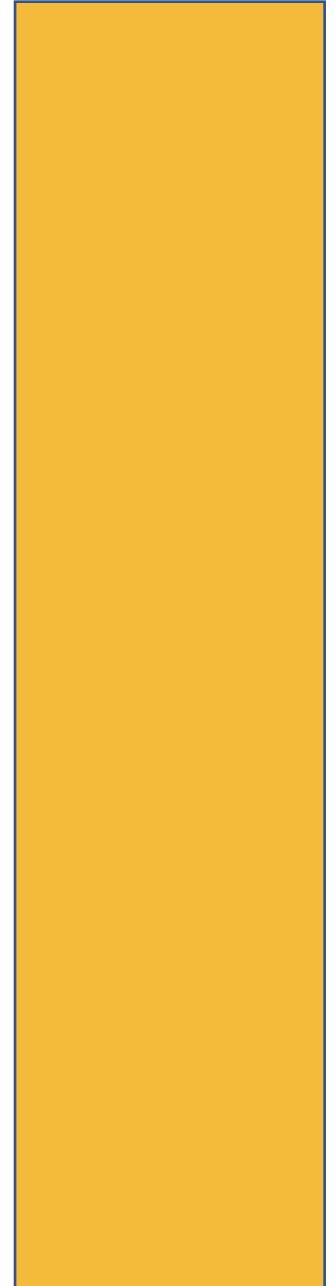Salary: $5,171,610

Interviews

- Interviewed 24 key employees
  - A list of 20 was suggested by HR/President
  - Additional 4 brought in during interviews
  - Some employees received follow-up via phone or email
  - 90% of interviews on-site, in person
- Requested feedback on culture, teams, process
- Debriefed with HR

Key Findings

- Cultural
  - Family-run
  - "Not my job" atmosphere
  - Lack of career path
  - Multiple office locations don't get along
  - Lack of management and employee skill
  - Identified "trouble makers"

- Process
  - No central approval points
  - Unclear responsibilities
  - Lack of understanding key products that are integral to growth
  - No formal training or documentation location

Ideal Process Map
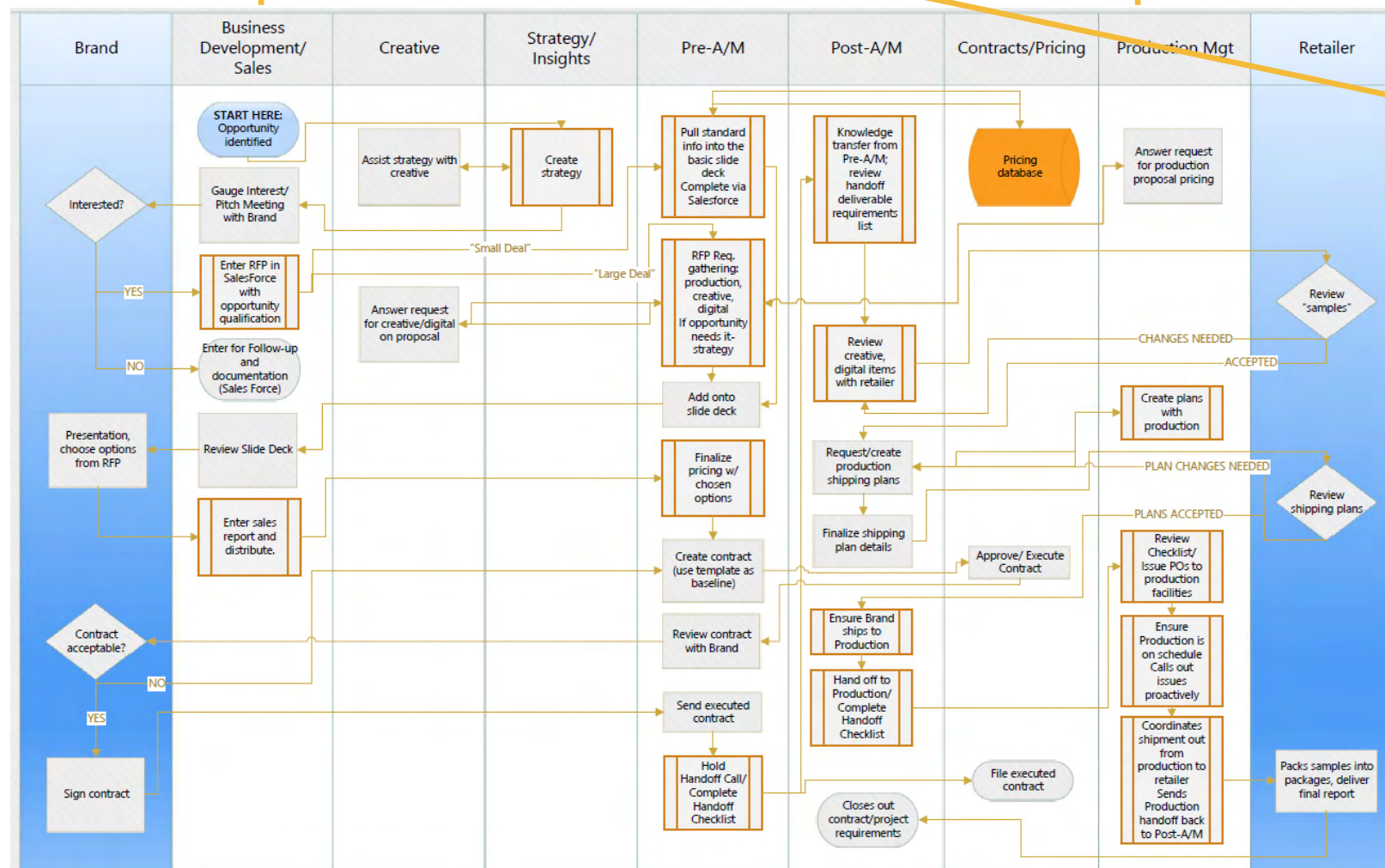
After interviews, I pieced together each teams responsibilities into a process map
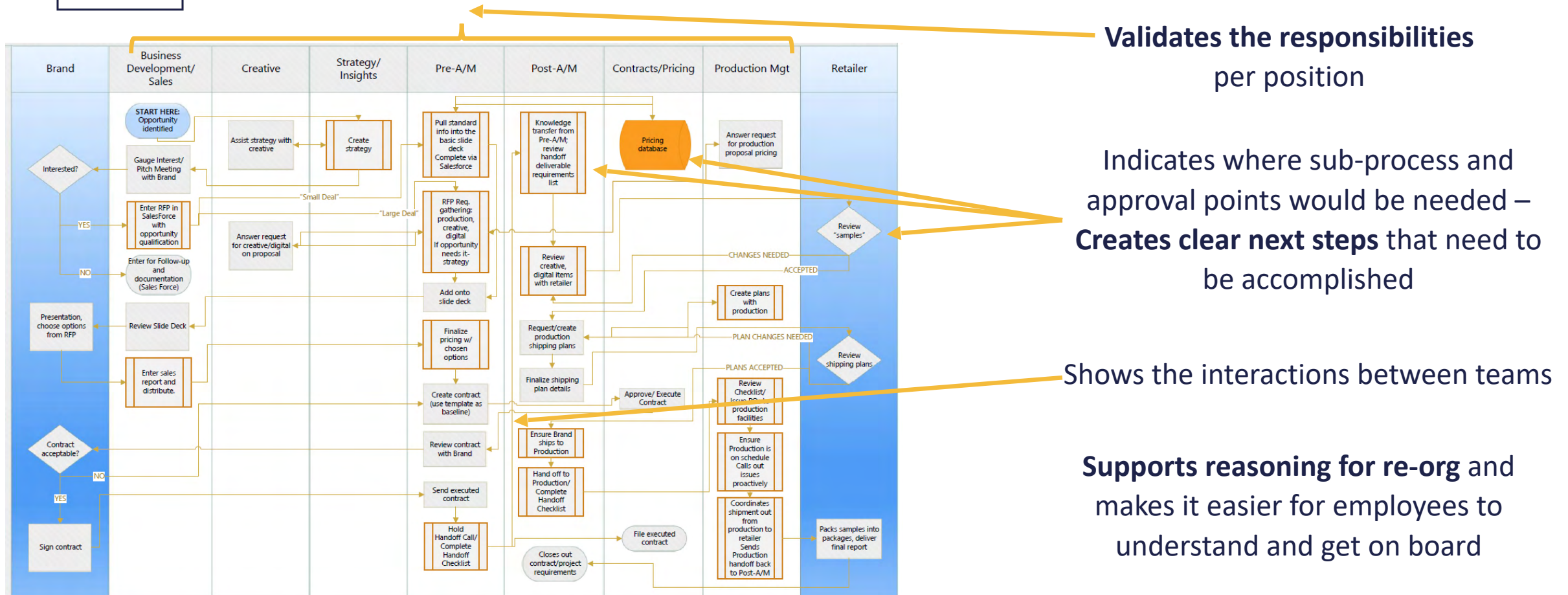
Naturally shows how **business process sections into department responsibilities.** Easier to understand **workload balance.**

Forces **each input to have an output**, so process is clear and not misunderstood

Allows each department to understand the value of the others

Why Process Mapping First

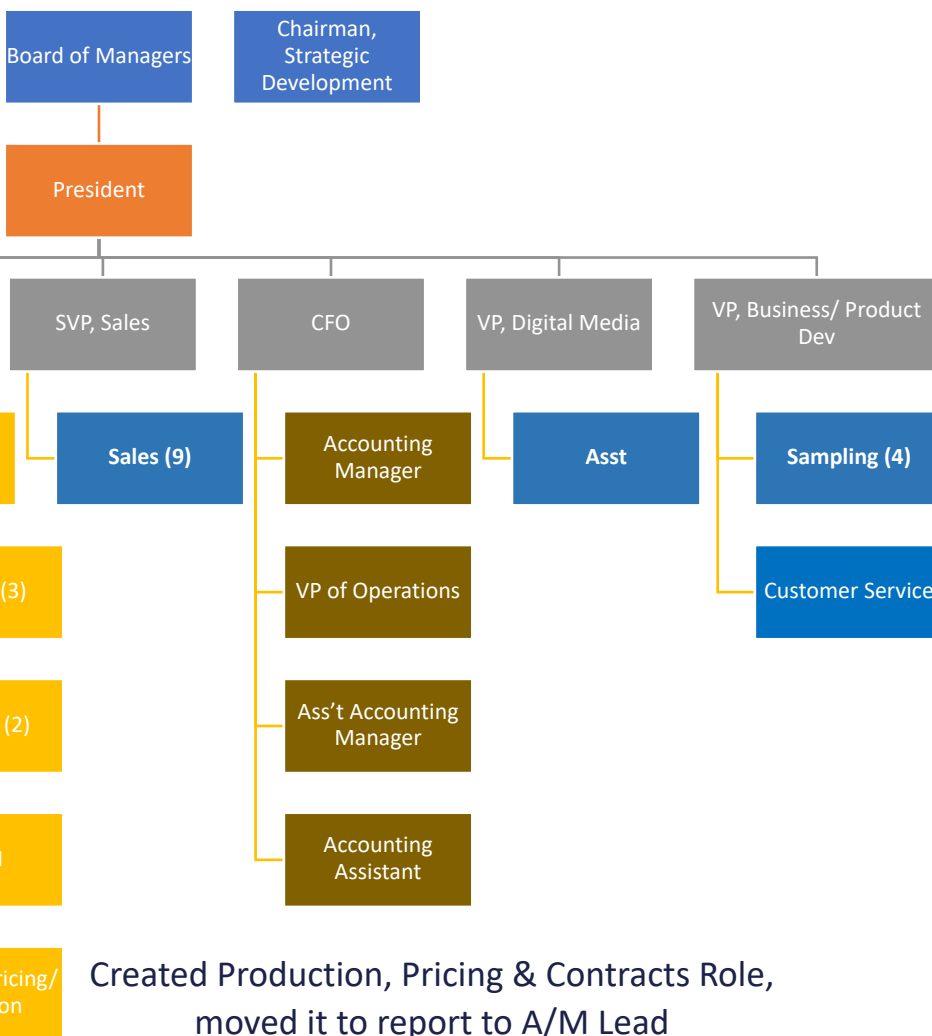
Validates the responsibilities per position

Indicates where sub-process and approval points would be needed – **Creates clear next steps** that need to be accomplished

Shows the interactions between teams

Supports reasoning for re-org and makes it easier for employees to understand and get on board

Q Reorg

After collaboration, the org chart was adjusted

Repurposed analyst position to create a systems compliance role

Eliminated separate Head of A/M and added to existing strong leader

```
Board of Managers          Chairman, Strategic Development

        |
     President
        |
  ┌─────────┬──────────────┬──────────┬───────────┬─────────────┐
Head of   VP of      SVP, Sales   CFO    VP, Digital   VP, Business/
Compliance Marketing                     Media         Product Dev
          & A/M
```

- Creative (3)
- A/M Lead
- Strategists (2)
- Insights (2)
- Pre-A/M (3)
- Post A/M (2)
- Jr. A/M
- Contracts/Pricing/Production
- Sales (9)
- Accounting Manager
- VP of Operations
- Ass't Accounting Manager
- Accounting Assistant
- Asst
- Sampling (4)
- Customer Service

Moved sales analysts to a Jr A/M role

Created Production, Pricing & Contracts Role, moved it to report to A/M Lead

HC: 42
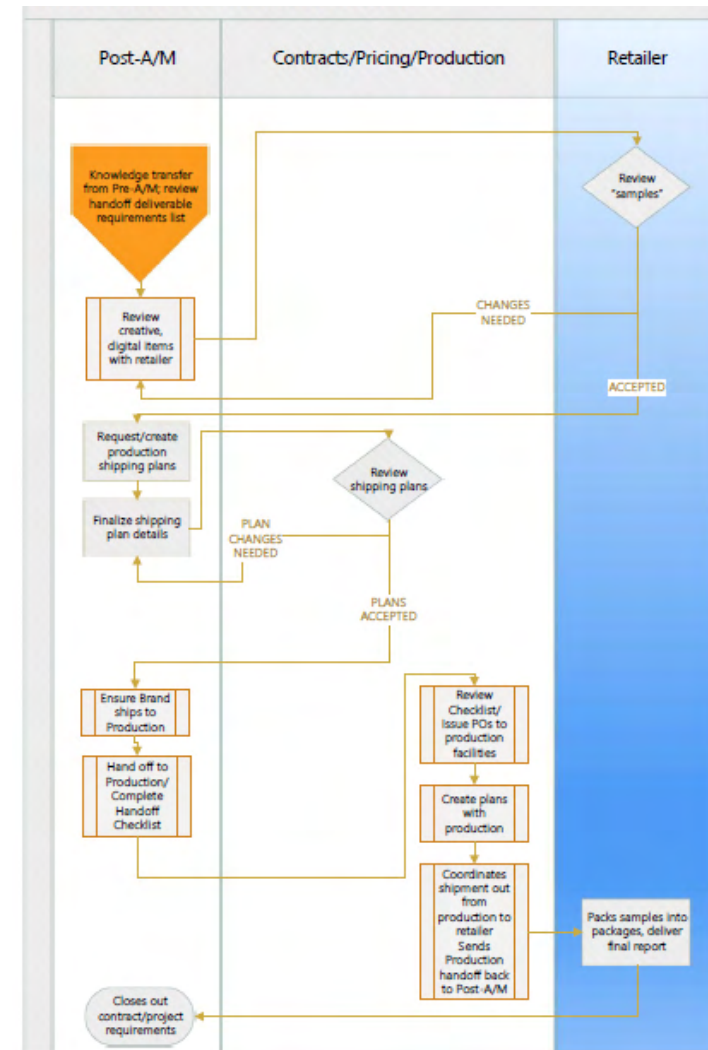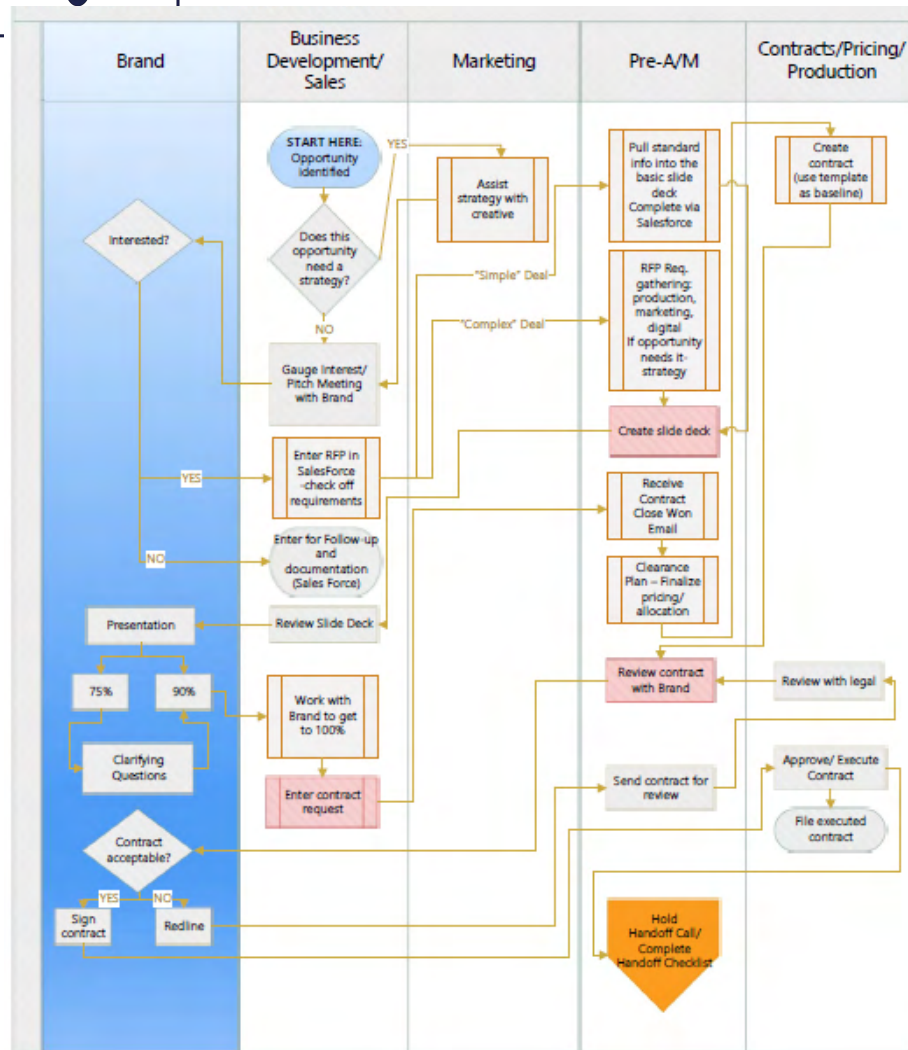Salary: $4,368,495
Impact: ($803,115)

Process Revisions
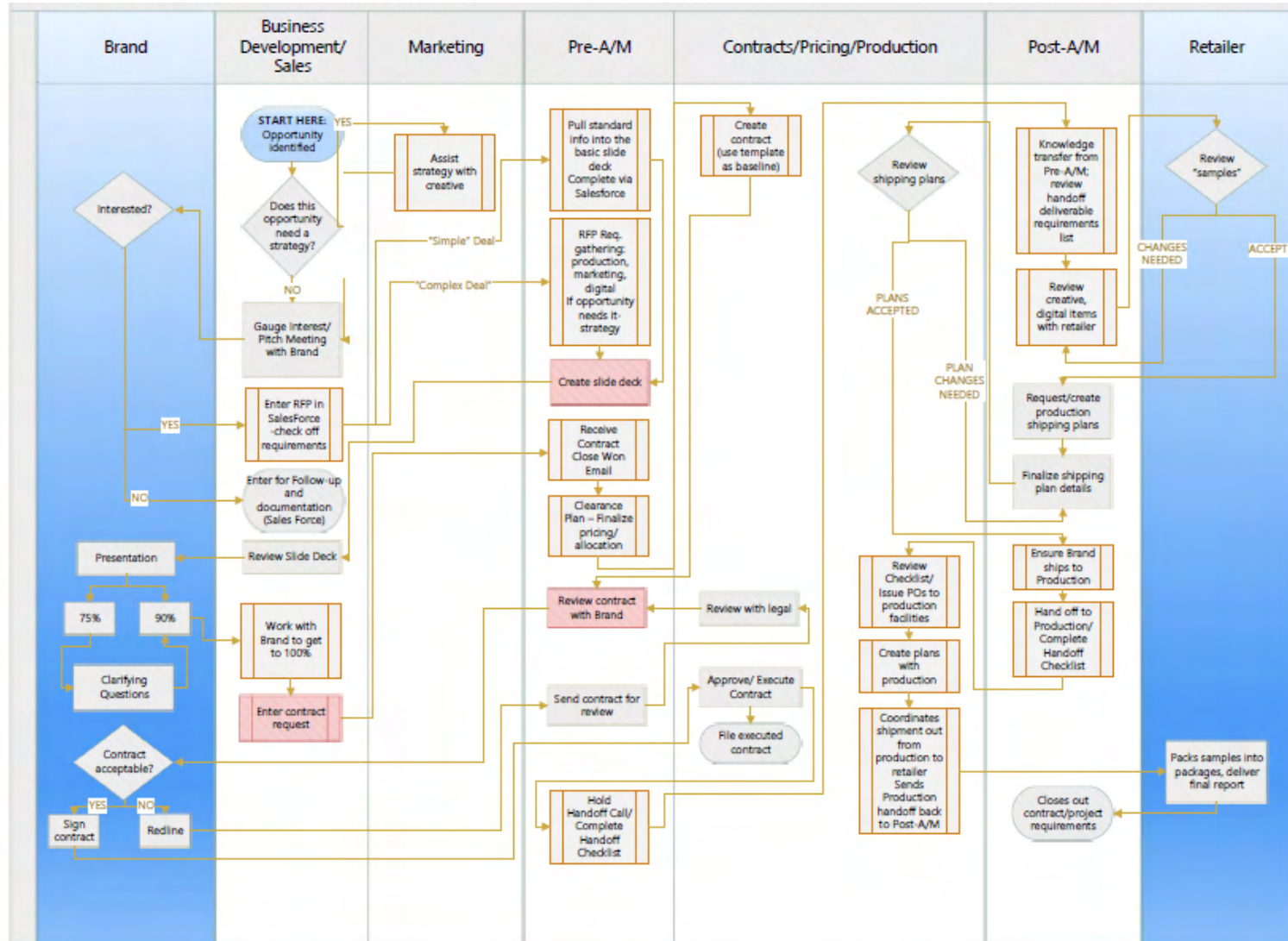
After org chart adjustments, the process was realigned

Supports the additional org chart changes

Thoughtful revisions shows good progress to the Board and investors

Process Broken Down

Same process- separated into "pre-contract" and "post-contract" to help communicate and show what teams will work closely
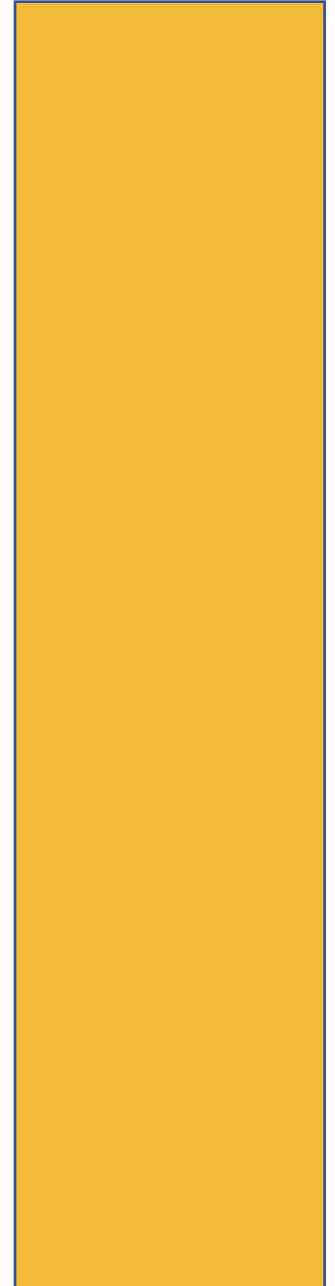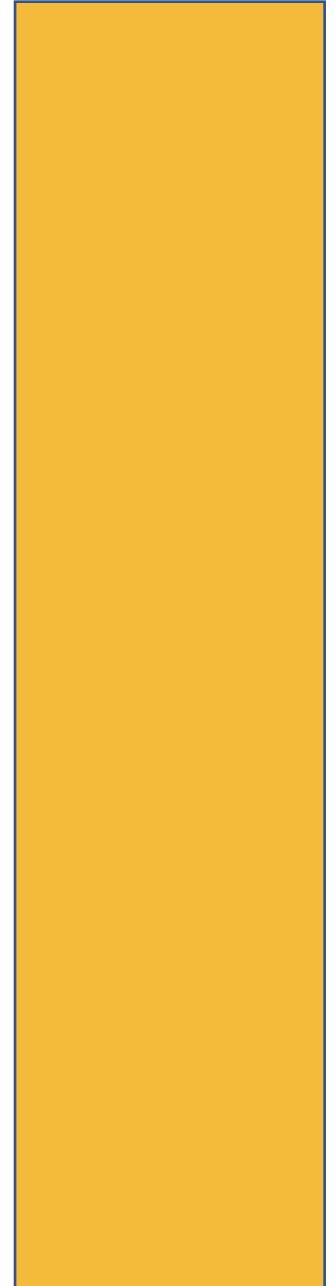
Appendix

Collaboration

- Debrief with HR
  - Do the positions make sense
  - What people and skills do we have to fill these positions
  - Who doesn't fit?

- Debrief with Company President
  - Review new org chart with suggested heads
  - Talk about what people don't fit and where we need to find new skills
  - Use his feedback to adjust org chart (and therefore process)

Transition Planning

- Transition
  - Created interim org chart as an intermediate step
- Salary Analysis
  - Modeled scenarios and salary impact while the transition was happening
- Gantt Chart Project Timeline
  - Divided by departments
  - Built in major communications and role changes
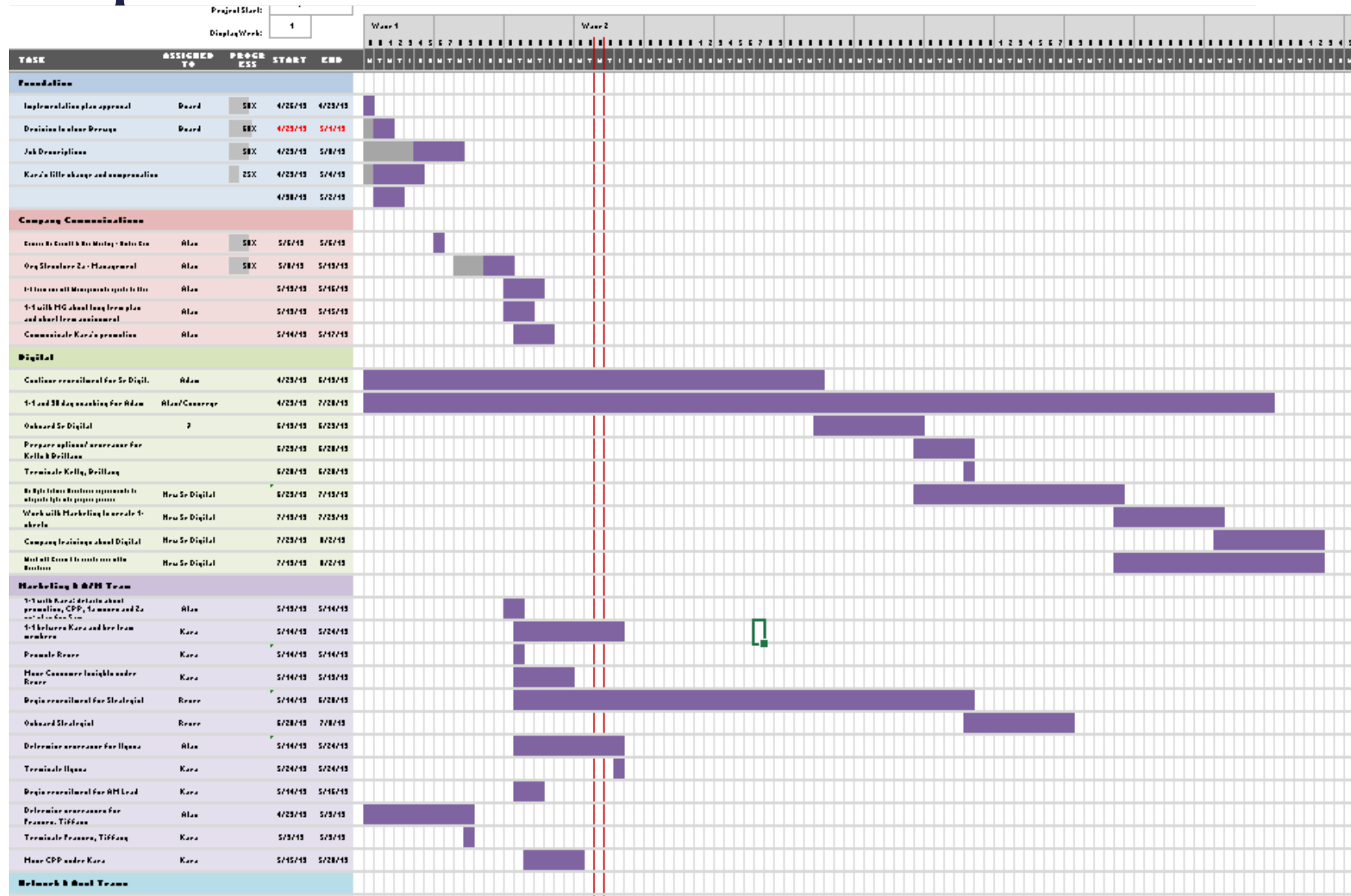 - Keeps HR and Execs in alignment

Implementation Plan

Each department is shown separately, but plan shows which items can be done concurrently

Ensures communications to the company don't go awry during this tumultuous process

Summary

- Every minute in planning saves 10 in execution
  - Every sub-process doesn't have to exist, but planning the overall will avoid missteps and rework
- Thinking about the process shows the employees you value their work and understand their viewpoints
- Process mapping allows the restructure to be completed in a way that makes sense and create efficiency
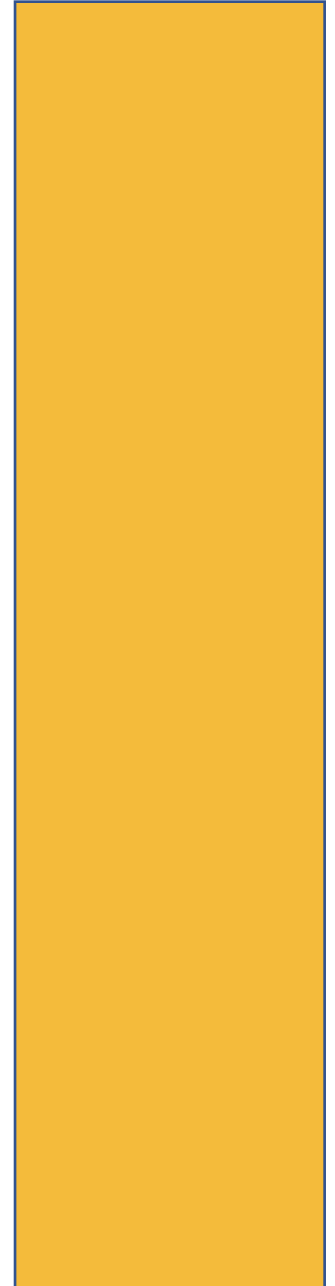
Testimonials

Jessica Marcial
Experienced HR Leader and Consultant

May 13, 2019, Jessica worked with Erica but at different companies

It has truly been a pleasure partnering with Erica on a recent reorganization project. Her ability to quickly assess, diagnose and make recommendations on process and organizational improvements have all been spot on. She has been an invaluable member of my team. I look forward to the opportunity to partner with her again on future projects! **See less**

Anna Ehlenberger
Business Development/Human Resources Consultant at Converge HR Solutions

June 5, 2019, Anna worked with Erica but at different companies

Erica is an expert in her field and is amazing at what she does! She is able to build relationships with anyone. I was able to bring her into a client of mine as a trusted partner and she delivered exactly what they needed and more, with the utmost integrity. I would recommend Erica to anyone!

About Me

- I'm Erica Quigley, Business Operations Consultant and Owner of Quigley Management Consulting LLC.

- **I help scale companies to increase their efficiency and profit margins through process change.**

- I am a graduate of Virginia Tech and hold my Lean Six Sigma and Six Sigma Green Belt Certifications from Villanova University

Notable Career Achievements

Quigley Management Consulting:
- **Created** reorganization, new process, and implementation plan for **$37M company in 4 weeks**
- Developed business roadmap for medical practice with multiple locations
- **Contracted** by SyncFusion to **write "Business Process Mapping, Succinctly"**
- **Featured** on multiple podcasts **as a change leader** (see website press page)

Preferred Sands:
- **Transitioned** office operations from remote plants to corporate office **and built team and process to support**
- **Procured and implemented** cloud based customer service system to reduce response rate
- **Implemented** 24/7/365 Customer Service

FreedomPay:
- **Scaled finance and operations** team to support **3,500% increase** in orders over 3 yrs
- **Added** supply chain infrastructure to increase **global presence**
- **Reduced** client's out of service time **from 8 weeks to 72 hours**
- **Designed** product selector tool to support **26,000 combinations** of order items
- **Decreased** DSO from **42 days to 48 hours**

Boeing:
- **Created** focused plan for team to **impact key metrics** for government contracts
- Taught company team members how to use Microsoft products to **complete their jobs more efficiently**

Contact

WWW.ERICAQ.COM

LinkedIn: /in/ericaq/

Facebook: @ericaqbiz

Website: www.ericaq.com/

Email: erica@ericaq.com